

Department of Legislative Services
Maryland General Assembly
2026 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 203 (Delegate Vogel)

Government, Labor, and Elections

Labor and Employment - Training Repayment Agreements - Prohibition

This bill prohibits an employer from requiring, as a condition of employment, employees or prospective employees to enter into a training repayment agreement. An agreement that constitutes a training repayment is null and void as being against the public policy of the State. The Commissioner of Labor and Industry may investigate violations upon receipt of a written complaint by an employee. If an employer knowingly violates the provisions, the Commissioner must assess a civil penalty of up to \$10,000 for a first violation and \$20,000 for subsequent violations. An individual may also bring a civil action for economic damages and, if successful, is entitled to restitution and potentially an additional award up to three times the amount of the restitution.

Fiscal Summary

State Effect: General fund expenditures increase by \$94,100 in FY 2027 for staffing. Out year costs reflect annualization, inflation, and termination of a contractual position. The bill's penalty provisions are not expected to materially increase general fund revenues.

(in dollars)	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	94,100	53,700	56,200	58,600	61,000
Net Effect	(\$94,100)	(\$53,700)	(\$56,200)	(\$58,600)	(\$61,000)

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease

Local Effect: None.

Small Business Effect: Potential meaningful.

Analysis

Bill Summary: “Training repayment agreement” means an agreement that requires an employee to pay an employer or a third party, such as a training provider, a sum of money if the employee voluntarily or involuntarily leaves employment. This includes requirements to reimburse the employer or third party for training previously provided. The definition does not include a cash advance to an employee, an educational sabbatical leave contract, or an agreement entered into as part of a collective bargaining employment.

Penalties assessed by the commissioner are subject to the notice and hearing requirements of the Administrative Procedures Act. A penalty or restitution order remains in effect against any successor business, as specified.

Current Law: Current law does not address the use of training repayment agreements in labor contracts, but it does restrict, to a limited extent, the use of noncompete or conflict of interest provisions in labor contracts.

Specifically, a noncompete or conflict of interest provision in an employment contract that restricts the ability of an employee to enter into employment with a new employer or to become self-employed in the same or similar business is null and void as being against public policy of the State if it applies to (1) any employee who earns 150% or less of the State minimum wage; (2) a licensed health care provider who provides direct patient care and earns \$350,000 or less in total annual compensation; or (3) a licensed veterinary practitioner or technician. This provision does not apply to an employment contract or a similar document or agreement with respect to the taking or use of a client or patient list or other proprietary client-related or patient-related information.

For licensed health care professionals providing direct patient care and earning more than \$350,000 annually, a noncompete provision may not exceed one year from the last day of employment. In addition, the geographical restriction in a noncompete or conflict of interest provision in an applicable employment contract may not exceed 10 miles from the primary place of employment. Upon request of a patient, an employer must provide the new location where a former employee is practicing.

State Expenditures: General fund expenditures increase by \$94,069 in fiscal 2027, which accounts for the bill’s October 1, 2026 effective date. This estimate reflects the cost of hiring a half-time wage and hour investigator to investigate complaints and a contractual half-time Assistant Attorney General for the first year to develop enforcement policies and procedures. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Regular Position	0.5
Contractual Position	0.5
Regular Salary and Fringe Benefits	\$34,833
Contractual Salary and Benefits	38,132
Operating Expenses	<u>21,104</u>
Total FY 2027 State Expenditures	\$94,069

Future year expenditures reflect full salaries with annual increases and employee turnover as well as annual increases in ongoing operating expenses and the termination of the contractual position after the first year.

Small Business Effect: Small businesses are no longer permitted to require training repayment agreements as a condition of employment and may face civil liability and penalties.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: None.

Information Source(s): Judiciary (Administrative Office of the Courts); Maryland Department of Labor; Office of Administrative Hearings; Department of Legislative Services

Fiscal Note History: First Reader - February 4, 2026
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